

## **FEMALE COUNSELLORS IN THE SPANISH MULTINATIONAL LISTED COMPANIES (2012-2014)**

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### **ABSTRACT**

One of the most important corporate governance controls widely studies the role performed by the board of directors and its consequences on the financial performance of companies. Different approaches analyse how a firm can improve its financial future and today parity on boards of directors represents a new research line. The presence of female counsellors may depend on legal and cultural approaches. As the institutional theory establishes, firms must be adapted to the countries where they operate in order to success when accessing financial markets. In this respect, this paper ads a new line of research based on whether a listed company operates in multiple countries or not and analyses the linkage between the multinational character of a company, the gender diversity of the board and the financial

performance of the firm. This paper focuses on Spain, which could be ground-breaking on female presence on boards, as Norway is, but only follow light recommendations. The method used is simple regression analysis. The results show that the multinational characteristic of listed companies has no effect on gender diversity but that gender has a negative relation with the financial performance of these firms. Our study also opens various lines of future research.

**KEY WORDS:** Spanish listed companies; Multinational companies, Value; Parity; Gender;

## INTRODUCTION

What makes a company increase its value? Different points of view have tried to respond to this question. Adams and Ferreira (2009), Adams, Hermalin, and Weisbach (2010); Anderson, Reeb, Upadhyay, & Zhao (2011); Johnson, Schnatterly, and Hill (2013) perform their governance approaches from the analysis of the Board of Directors (BD). The BD of a listed company represents the central governing body that acts as a mechanism of control to the agency problem between shareholders and managers (Diaz and Gonzalez, 2012); Oxelheim & Randøy, (2003 and 2005), Dunning and Lundan (2008), Anderson, et al (2011), Masulis, Wang and Xie (2012); Oxelheim, Gregoric, Randøy and Thomsen (2013) study this from the national origin of directors. It also analyses the presence of women on boards as a differentiating factor (Gomez and Sanchez, 2009; Adams and Funk, 2012).

The difference between men and women and their role in different spheres of society is an issue that has become especially relevant in recent years. Strong steps are increasingly taken, although sometimes there is only a timid response to the demands of pro-gender equality societies.

Gender diversity in economic power and the BD of listed companies is scarce even at a global level (Gómez and Sánchez, 2009; Terjesen et al, 2009). However, this gap in the power structure of organisations is no longer a reflection of the current state of debate on parity and gender equality.

The perspectives in this paper are aligned with Oxelheim and Randøy (2003 and 2005) and Oxelheim et al (2013), who analyse the composition and the presence of international advisers and promote institutionalisation (Carrasco and Laffarga, 2007). Thus, we examine two fundamental questions: 1) listed multinational companies incorporating mostly women on their boards of directors; and 2) whether this is representative in the value function and performance of these companies. To this end, work is structured as follows. First we refer to

the situation of women in the boards of directors of listed companies, making specific reference to those that have a multinational character. Second, an empirical study to explain the questions in this study and the findings is carried out.

#### **PRESENCE OF WOMEN IN THE BOARD OF DIRECTORS. AIMS AND REALITY.**

Practices that promote gender equality are not widespread in all countries. Heidrick and Struggles (1977, 2005, 2007) set that Italian, Portuguese and Spanish companies develop the worst practices in this matter as they are those who have a lower percentage of women on their boards. This point is very important, since one of the elements that could eliminate barriers to the advancement of women is precisely the cultural one. Thus, Carrasco and Laffarga (2007) and Carrasco, Laffarga and Ruiz (2011) conclude that the highest percentage of women represented on BD are in the companies of the most egalitarian societies where power distance is lower. Therefore the promotion of initiatives to mobilize society towards equality through institutional instruments, such as gender parity policies, is necessary.

Countries have made considerable efforts in this regard. In Europe, the European Commission introduced in 2012 the compulsory quotas on the boards of listed companies with the aim of achieving a 40% presence of women in these bodies by 2020. This legislation has not been applied but remains a Community guideline and thus different countries have aligned unevenly. In this respect, Norway and France are ground-breaking countries which implement a gender quota to large enterprises, while Britain and Germany are countries that prefer self-regulation (Stan, 2013). It seems that regulatory action follows different parameters to those proposed by Carrasco and Laffarga (2007) or Carrasco et al (2011). Norway, a pioneering country in the implementation of mandatory laws, has broken the fallacy of the lack of a sufficient number of highly qualified women to fill these positions and has introduced a radical change in public perception, associated with an increase of social prestige of companies that promote the participation of women in positions of responsibility (Stan, 2013).

The Spanish situation is particular. If we consider the postulates of Carrasco and Laffarga (2007), Carrasco et al (2011) and Stan (2013), 78% of the Spanish population is in favour of regulation and 90% believe that at a same competence basis, there should be equal representation in business leadership. However, this popular view is not enhanced by a clear institutional commitment. The long-awaited change is to occur through more active policies to ensure social investment, although, with the excuse of the economical crisis, such policies have been relegated to the background.

The consequences of this institutional passivity also concern the participation of women in positions of business decision. The female presence on the BD of listed companies has decreased since 2012 by almost 4 percentage points (Table 1). Thus, Spain - which became the second country in the world to establish a deadline for achieving this parity, along with Norway, is so far one of the slowest in achieving such goal as well as in performing it as an obligation instead of a recommendation for companies (Diaz and Gonzalez, 2012).

TABLE 1

In short, reaching joint quota in positions of business relevance is left at the mercy of companies. It is true, and this has been shown in several studies, that the access of women to management positions is lower as compared with men (Catalys, 2004; 2008; EPWN, 2004, 2008, Heidrick and Struggles, 2005, 2007). However, there are no conclusions on what makes a company decide to implement parity policies in the composition of its BD.

This may be the factor that explains the adoption and dissemination of organizational practices towards gender equality from an institutional approach, since, as stated by DiMaggio and Powell (1983), Kostova and Roth (2002) or Diaz and Gonzalez (2012), companies seek legitimacy by aligning with institutionalised practices so they can increase their resources and capabilities. Similarly, the governance of a company is closely related to the countries in which they operate and, therefore, the boards must act accordingly with the

systems of these countries (Oxelheim and Randøy, 2003). Thus, companies operating in countries where financial markets are more important will present further developments and will influence the practices of good corporate governance, which includes the promotion of gender equality (Carrasco and Laffarga, 2007). Given the above, one might assume that a greater presence of women on corporate boards is convenient when there is a need to access financial markets and improve the reputation of companies (Diaz and Gonzalez, 2012). Therefore, we consider a first working hypothesis in this regard:

*H1: Spanish multinational companies have a greater parity on their boards*

## **FINANCIAL PERFORMANCE AND GENDER**

The underlying question of whether a larger number of women on boards of directors allows to increase the value of listed companies has tried to be answered from numerous investigations (Gomez Anson, et al, 2005; Luis, Martinez, Perez and Vela, 2006; Adams and Ferreira, 2009; Kotiranta et al, 2010). However, the results are inconclusive, although they suggest that greater gender diversity in the workforce and management teams provides variability in leadership styles, affecting the creation of new values, increased productivity, and therefore the financial performance (Zahra and Pearce, 1989; Adler, 2001; Ehrhardt et al, 2003; Carter et al, 2003; Catalyst, 2004; Adams and Ferreira, 2004; Jimeno and Redondo, 2005; Luis, Martinez, Perez and Vela, 2007; Gomez and Sanchez, 2009; Kotiranta et al, 2010). In this line, Joecks et al (2013) consider that a critical mass of 30% female counsellors is necessary for firms to develop a better financial performance. Thus, the second hypothesis of our work can be defined as follows:

*H2: Spanish multinational companies with a higher female presence on their BD have a better financial performance*

## **METHODOLOGY**

In order to validate or not this hypothesis, we have first prepared a data base. Members of the board and gender data were obtained from corporate governance reports (CNMV, 2015). The last report offers information from 2012 to 2014 and thus this was the period of time analysed.

Financial performance indicators related to the listed companies in the Spanish stock market such as equities, assets, ROI, ROA, ROE, EBIT and EBITDA, among others, were searched by using SABI (2012-2014). Finally, the multinational character of the companies was established by searching the annual report of each of them and looking for the countries in which each firm acts through an executive office. In sum, we found 124 listed companies in the Spanish stock market (2012-2014); 43 of them have been considered as multinational ones.

To validate Hypothesis 1, we considered a simple regression. The independent variable is the multinational character of the firm, which is a binary variable. The dependent variable is the percentage of women in the BD.

The second Hypothesis was validated using the same tests. The independent variable was the percentage of women in each firm. The indicators of the financial performance are the dependent variables.

## **RESULTS AND DISCUSSION**

Institutional theory has been used to study how different companies are more likely to achieve gender equality on their BD (DiMaggio and Powell, 1983; Kostova and Roth, 2002; Carrasco y Laffarga, 2007; Carrasco et al 2011; Oxelheim and Randøy, 2003; or Diaz and Gonzalez; 2012) as a way to better access financial markets. These theories determine that the more

open a society is, the more gender diversity there is in the BD of a company which operates in those countries, due to the fact that such firms must operate at that location.

Our findings establish that there is no significant relation between a multinational firm and the percentage of female counsellors (Table 2). This is consistent with the call for further research noted by different authors, who point to the effect of cultural and legal differences. Also, our data does not discriminate in which countries the listed companies are acting. Thus, a future research may consider, firstly, in which regions a multinational company is acting; secondly, the cultural and legal background in these regions; and lastly, the importance given to the country by the company in terms of business.

TABLE 2

The second hypothesis is lightly validated (Table 3). We have only found a negative relation between the number of women and EBIT, which is in line with Adler (2001); Ehrhardt et al (2003); Carter et al (2003); Catalyst (2004); Adams and Ferreira (2004); Jimeno and Redondo (2005); Martinez, Perez and Vela, (2007); Gomez and Sanchez, (2009); or Kotiranta et al, (2010). On the other hand, a positive relation between ROI and gender is found, although it is not too significant (p-value: 0,081). It is true that the Spanish listed companies do not present more than a 14% of female presence in their boards, which is far from the critical mass set by Joecks, et al (2013). Some authors also point out the need to have further research about the effect of demographic characteristics, including gender, and legal issues which promote the parity in BD.

TABLE 3

## CONCLUSIONS

In sum, what is subtracted from this study is that, relying on Oxelheim and Randøy (2003 and 2005), Carrasco and Laffarga (2007) and Oxelheim et al (2016), there are factors that may be taken into account in a gender BD approach, but being a multinational firm is not one of



them. The Spanish listed companies do not have a critical mass presence of women in their boards, so results could be considered as poor due to the fact that there is no significance found in the relation between financial performance and gender.

This paper opens a broad range of interesting research related to how cultural factors affect the gender approach of those multinational firms that must obtain financial resources in different countries and incentives on firm outcomes. It would be interesting to consider the effect to advance in the understanding of the belonging of a female counsellor to a particular committee (Executive Com., Social Responsibility Com., Auditing Com., v.gr.) over the financial performance and how it varies along a wider period of time.

Finally, the fact of limiting the sample to Spanish listed companies opens new paths for research since the gender parity in other firms from, for example, Asia or Europe, may differ substantially from this setting due to different institutional environments for corporate governance practices.

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## TABLES AND FIGURES

Table 1: Number of members and women of BD of Spanish listed companies (2012-2014)

	Number of members	Women	%
2014	1,143	117	10.23
2013	1,124	132	11.74
2012	1,149	165	14.36

Source: SABI, CNMV

Table 2: Presence of female Counsellors in Spanish multinational listed companies (2012-2014)

	B	E.T.	Wald	gl	Sig	Exp (B)
2014	0.191	0.052	13.65	1	0,31	1,23
2013	0.184	0.064	13.85	1	0,24	1,18
2012	1,149	0.055	13.92	1	0,29	1,21

Table 3: Impact of female counsellors in some financial performance indicators in Spanish multinational listed companies

	Coef	Std.Err	t	P> t	[95% conf interval]
<b>EBIT</b>	<b>-582871.6</b>	<b>-1.84</b>	<b>13.65</b>	<b>0.069</b>	<b>-1210995 45252.03</b>
<b>ROI</b>	<b>4.5</b>	<b>1.97</b>	<b>12.45</b>	<b>-0.081</b>	<b>0,32 43,2</b>
Assets	1004892.0	5679965	0.18	0.860	-1.03e+07 1.23e+07
Capitalization	-13167.1	10678.75	-1.23	0.222	-34506.89 8172.648
Equities	567001.7	3261481	-0.17	0.862	-7044585 5910581